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India: Cautious Commitment to Arms Diversification

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An Intelligence Assessment

DIA review
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March 1983

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India: Cautious Commitment to Arms Diversification

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An Intelligence Assessment

This paper was prepared by [redacted]
the Office of Near East-South Asia Analysis. It was
coordinated with the Directorate of Operations and
the National Intelligence Council. Comments and
queries are welcome and may be addressed to the
Chief, South Asia Division, NESA, [redacted]

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**India: Cautious Commitment
to Arms Diversification**

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Key Judgments

*Information available
as of 1 February 1983
was used in this report.*

New Delhi has increased its purchases in Western arms markets in the course of supplying its armed forces with the latest available weapon systems and military technology. Indian acquisitions of selected weaponry from the West are intended primarily to permit the building of a more modern and powerful defense establishment. They also serve to reduce criticism at home and abroad of India being a Soviet proxy by reducing the Soviet share of overall Indian military imports. Achieving a better balance of Western and Soviet arms, however, will be a slow, long-term process, and Western arms sales to India over the next five years are likely to be a comparatively small, albeit important, part of the overall modernization process.

The Indian armed forces probably will seek selected weapons from the United States, and, in so doing, are likely to request progressively more sophisticated military technology. Prime Minister Gandhi, however, is likely to proceed slowly in concluding new major arms contracts with the United States because of suspicions of US intentions in the region and dislike for US Foreign Military Sales restrictions. India's efforts to acquire Western weapons are more likely to involve French and British arms suppliers. Neither the United States nor other Western suppliers, however, are likely to achieve appreciable leverage over the direction of Indian foreign policy or to exact notable political concessions through arms sales.

By supplementing the procurement of arms from the USSR with selected purchases from the West, India can acquire a high-quality military arsenal but with increased expense and operational difficulties. India's vigorous pursuit of its ambitious modernization program and purchase of more costly Western arms will result in considerably higher defense spending, which could contribute to a severe shortage of foreign exchange and add to India's balance-of-payments problems by the mid-1980s. Lack of equipment compatibility stemming from multiple arms suppliers will compound operational, maintenance, and training deficiencies found in fielding the world's fourth-largest armed forces.

Indian acquisition of Western arms does not represent a major shift from the USSR, which will remain India's principal arms supplier for at least the next five years. Concerned with India's diversification efforts, Moscow has offered New Delhi a variety of advanced weapons at more advantageous prices and terms than can be obtained in the West, and New Delhi,

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for its part, appears to be acceding to Soviet inducements to continue to "buy Soviet." Prime Minister Gandhi is likely to view continued good relations with Moscow as a central element in modernizing the armed forces and will avoid taking actions that would cause an open breach in Indo-Soviet military relations.

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India: Cautious Commitment to Arms Diversification

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Indo-Soviet Arms Relationship

The USSR displaced Western suppliers as India's principal source for arms after the United States and the United Kingdom imposed an arms embargo on India during the Indo-Pakistani War in 1965. We estimate that India has purchased about \$9 billion worth of Soviet weapons since 1970, including fighters, helicopters, and air defense missile systems for the Air Force; tanks, armored vehicles, artillery, and tactical air defense systems for the Army; and destroyers, frigates, missile boats, and submarines for the Navy (see figure 1).

Several factors, in our view, contributed to the growth in India's military relationship with the USSR. We believe Soviet arms support to India after the war with Pakistan in 1965 and during the war over Bangladesh in 1971—in contrast to Western arms embargoes—have caused the Indians to view Moscow as a more reliable arms supplier. In addition, the Soviets have become increasingly willing to provide relatively modern weapons on easy credit terms—small downpayments, low interest rates, and long repayment periods. Unlike Western suppliers, Moscow has not demanded hard currency and has allowed New Delhi to pay for military equipment with commodities. To help satisfy Indian wishes for greater self-sufficiency the Soviets also have been more willing than Western nations to grant India production licenses for selected arms.

Since the late 1970s, however, New Delhi has been more willing to purchase from the West selected high-technology items, including aircraft, submarines, and missiles (see table 1). In April 1979, for example, the Desai government chose the Jaguar for its deep penetration strike aircraft—India's first purchase of a Western fighter in more than a decade.

Table 1
Major Indian Arms Purchases
From Western Suppliers, 1979-82

Date	Supplier	Arms
1979	United Kingdom	85 Jaguar aircraft 8 Sea Harrier aircraft
1981	West Germany	4 Type-209 submarines
	France	50 Milan ATGM launchers plus missiles
1982	France	40 Mirage 2000 aircraft plus Super Matra air-to-air missiles and Exocet antiship missiles
	United Kingdom	31 Jaguar aircraft for assembly

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Buying From Both Camps

India continues to rely on the USSR for the bulk of its military equipment.

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At the same time, Gandhi is seeking more sophisticated arms and technology from Western nations for her armed forces. In 1982 she selected the French Mirage 2000, rather than a fighter offered by the Soviets, as the best aircraft to counter the F-16s being acquired by Pakistan. In the same year she also rescinded her instructions of 1980 to her service chiefs to avoid purchasing more costly Western arms if adequate substitutes were available from the USSR.

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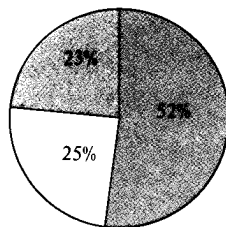
Figure 1
Value of Arms Purchases From the USSR and
Western Suppliers, 1970-82

■ Air Force/air defense equipment
 □ Ground Force equipment

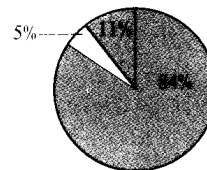
■ Naval equipment

1970-79

USSR
 Total: 2.9 billion US \$

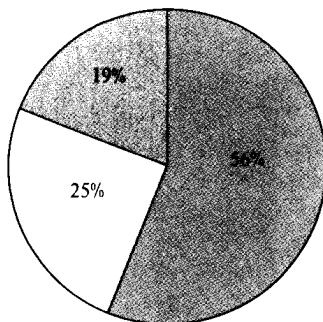


Western suppliers
 Total: 1.6 billion US \$

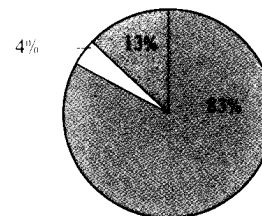


1980-82

USSR
 Total: 6.1 billion US \$



Western suppliers
 Total: 2.7 billion US \$



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Table 2
Major Indian Arms
Purchases From the USSR, 1980-82

1980

110 MIG-23 aircraft
 8 MIG-25 aircraft
 12 SA-3 missile batteries
 4 SA-6 missile batteries
 300 T-72 tanks
 375 BMP infantry fighting vehicles
 65 122-mm multiple rocket launchers
 46 130-mm field guns
 200 122-mm howitzers
 2 Kashin destroyers
 6 Unidentified combatants

1981

98 AN-32 transports

1982

165 MIG-27 aircraft (licensed production)
 8 MI-24/25 helicopters
 450 T-72 tanks
 400 Tank transporters
 350 BMP infantry fighting vehicles
 4 F-class diesel submarines
 3 Kresta cruisers
 3 Kashin destroyers
 5 Nanuchka missile combatants
 6 Natya minesweepers

allows the military to select the best equipment available in international markets (subject to budgetary constraints) without regard to political considerations.

The poor combat performance of certain Soviet systems in the Middle East, coupled with the effectiveness of Western weapons in the Falkland and Lebanese conflicts, have reinforced Indian interest in obtaining advanced Western equipment, in our judgment.

We believe Gandhi's willingness to deal more with the West also reflects her concern about other aspects of Indo-Soviet relations.

she is particularly sensitive to charges that India has become a Soviet proxy and is concerned that close identification with Moscow is limiting her government's foreign policy options, weakening New Delhi's leadership role among the nonaligned states, and leaving the military services too dependent on a single source of supply. She is upset at Moscow's refusal to accept India's proposal for token troop withdrawals from Afghanistan. She also is afraid that Washington is using the close Indo-Soviet relationship as an excuse to arm Pakistan beyond what Indians perceive as Islamabad's legitimate defense needs.

Competition for India's Arms Market

Our assessment is that Indian plans to modernize its defense establishment during the 1980s require that India remain a major importer of weapons and production technology (see box). This need to import state-of-the-art weaponry is likely to result in increased competition for India's large arms market. Such competition for future sales, coupled with those arms already on order or scheduled for licensed production in the mid-1980s, we believe, will lead to an appreciable enhancement of the combat capabilities of India's three services and will permit some increase in force levels over the next five years (see figure 2).

Gandhi's greater willingness to buy from the West represents a lucrative opportunity for Western arms suppliers. In our view, senior French and British officials traveled to New Delhi during 1982 not only to strengthen political ties but to explore opportunities for new arms sales.

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Procurement Goals for the 1980s

Army. Prime Minister Gandhi and her Minister of Defense have stated publicly their intention to upgrade the mobility and firepower of India's 1-million-man Army over the next five years. [redacted]

[redacted] this is to be done by acquiring large numbers of new tanks, infantry fighting vehicles, self-propelled artillery, mobile air defense systems, and attack helicopters, most of which we believe will be purchased from the USSR or produced under Soviet license. Such weapons will permit the formation of several new infantry divisions—including India's first mechanized division—as well as a number of smaller maneuver and combat support units. [redacted]

Air Force. The 115,000-man Air Force is seeking to improve its capabilities to protect Indian airspace, to penetrate deeply into neighboring countries, and to provide increased tactical support to the Army and Navy. [redacted]

By acquiring new Western and Soviet aircraft, as well as modern air-to-air and air-to-ground missiles, the Air Force will achieve the added striking power we believe it wants, particularly in light of the Falkland and Lebanese conflicts. [redacted]

[redacted] We estimate that, as a result of these acquisitions, the Air Force will have phased out most of its obsolete planes and increased its combat aircraft inventory to about 740 by the late 1980s. [redacted]

The Air Force also wants to improve its air support capabilities. It is seeking to replace its obsolete

transport fleet—a particularly weak link—improve its air assault lift capabilities, and acquire its first aerial refueling tankers during the next several years. It also is looking for Airborne Warning and Control System (AWACS) surveillance aircraft, electronic warfare equipment, and assistance in designing and producing a new light combat aircraft to meet the projected threat for the 1980s and beyond. [redacted]

Navy. The 46,000-man Indian Navy, already the largest among regional states, wants to project a larger presence and capability into the Indian Ocean during the next five years. [redacted]

[redacted] Planned acquisitions emphasize larger ships with greater range and more sophisticated weapons and electronic equipment. These include cruisers, destroyers, missile combatants, submarines, and minesweepers, most of which will come from the USSR. [redacted]

[redacted] Some naval officials have also called for the purchase of a second aircraft carrier, according to the Indian press, but we see little prospect that this will occur within the next several years. We estimate that with the new acquisitions the Indian Navy will increase from 50 to more than 70 warships by the late 1980s. [redacted]

The Navy also wants to enhance its air arm. [redacted]

[redacted] it is looking largely to the West for additional antisubmarine helicopters, fixed-wing maritime reconnaissance aircraft, antiship missiles, radars, acoustic sensors, and a long-range submarine communication system. [redacted]

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Defense Industries. Senior Indian defense officials stress publicly the need for greater self-sufficiency in domestic production to meet the increasing requirements of the armed forces for modern arms. Although progress has occurred over the last decade, we judge that India's relatively large defense industrial establishment cannot on its own meet the military's requirements for sophisticated arms—either quantitatively or qualitatively—because of deficiencies in design capabilities, production technology, and funding. This is particularly evident in India's lack of success in developing a new high-performance fighter, main battle tank, and surface-to-air and antitank missiles. This situation, in our view, is unlikely to change appreciably in the near future. Accordingly, sustaining the vigorous modernization effort now under way demands that New Delhi continue not only to buy foreign arms and sophisticated electronic equipment from abroad but also to import considerable technical production know-how under licensing agreements. [redacted]

As part of this process, India is becoming unique as a non-Communist licensed producer of major Soviet arms. It is the only non-Communist country to manufacture the MIG-21 fighter, and it will be the first one to produce MIG-27s, T-72s, and BMPs, which are scheduled to begin series production in the mid-1980s. We believe that recent discussions in New Delhi between Indian military leaders and a delegation of senior Soviet officials headed by the Minister of Shipbuilding will lead to increased Soviet assistance in the design and manufacture of naval ships in India. [redacted]

[redacted]

Moscow, concerned about the diversification effort, is attempting to discourage New Delhi from buying additional Western arms, [redacted]

[redacted] The visit to India by a large, senior Soviet military delegation led by Defense Minister Dmitriy Ustinov in March 1982 underscores the high priority Moscow assigns to maintaining close relations with New Delhi. [redacted]

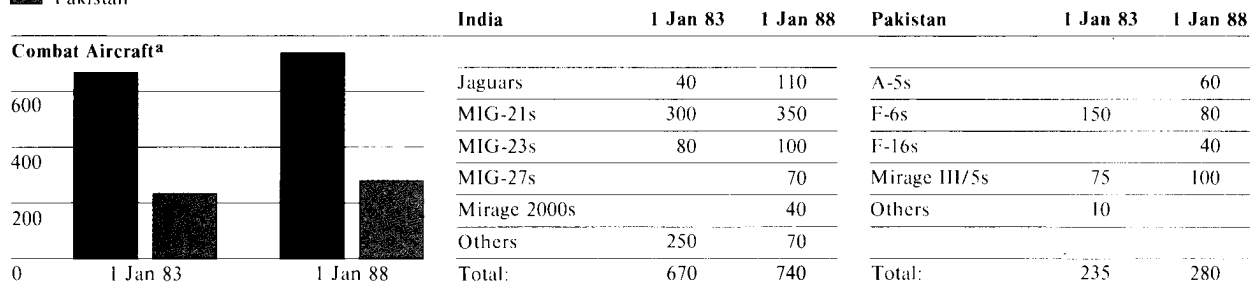
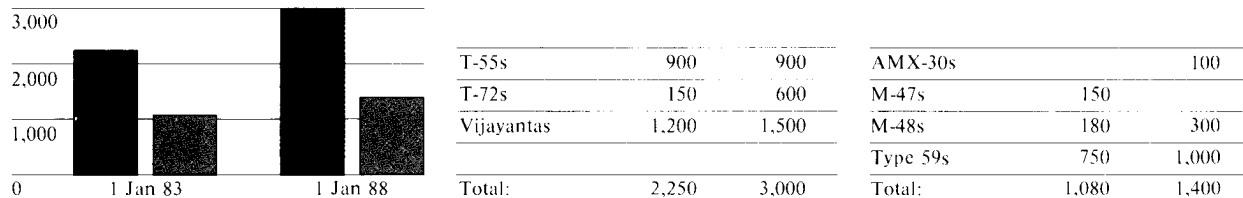
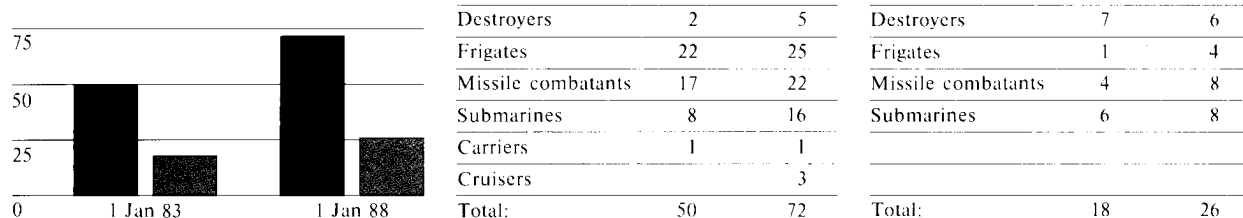
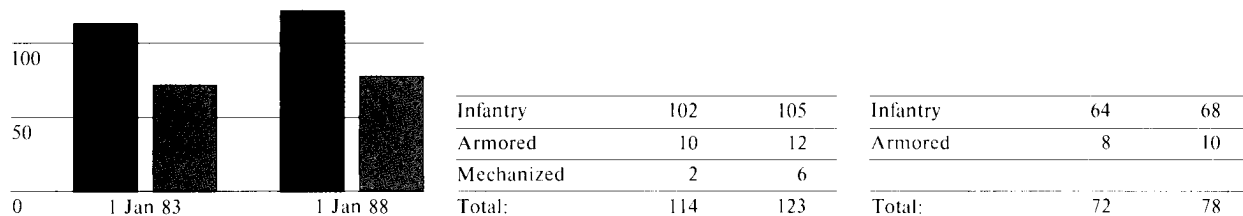
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Figure 2
Current and Projected Indian and Pakistani
Force Levels

Note change in scale

■ India
 ■ Pakistan

**Tanks^b****Warships****Combat Maneuver Brigades**

^aExcludes combat-capable trainers or aircraft in reserve storage.

^bExcludes tanks in storage.

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Table 3
Annual Payments for Military Imports,
by Supplier

Million US \$

	USSR ^a	Other	Total
1970s	less than 250	20-95	270-345
Current	200-420	200	400-620
Mid-1980s	500-1,100	400-500	900-1,600

Impact of Diversification

Benefits and Costs. Our assessment is that India, through diversified procurement, can obtain a high-quality military arsenal but with increased expense and operational difficulties. Indian imports of foreign arms and technology from a variety of sources will permit a more rapid and comprehensive acquisition of state-of-the-art weapons and technical knowhow for India's three services and large defense industrial sector. In the event of an arms or a technology embargo by a single supplier, they also will reduce the impact on armed forces' capabilities and readiness.

Having a number of major arms suppliers, however, compounds existing financial, operational, maintenance, and training deficiencies found in fielding a large military force such as India's. Lack of equipment compatibility, coupled with associated logistic problems, could lower operational readiness rates, particularly in times of major hostilities. In addition, the military's greater familiarity with Soviet weapons, together with their comparative ease of maintenance and lower costs, in our opinion argues against large-scale purchases of higher priced Western arms and probably will limit New Delhi's diversification mostly to selected high-technology weaponry from the West.

Gandhi's arms acquisition programs, in our view, have virtually locked the nation into considerably higher defense spending for the foreseeable future (see table 3). Despite careful shopping and hard bargaining, Indian hard currency payments for Western arms deliveries probably will more than double over the next five years if current acquisition patterns continue. Downpayments and debt servicing for Soviet

^a Accounts with the Soviet Union are maintained in rupees, and both countries have agreed to balance bilateral payments. India pays for military and commercial imports from the Soviet Union by exporting goods, some of which have few alternative markets. In the future, in order to meet the increasing burden of repayments to the USSR, India will probably have to offer goods that could have been sold in hard currency markets. As a result, the benefits from much-touted "rupee-payment" agreements will diminish.

military imports alone could become especially onerous by the mid-1980s, despite generous credit terms given by Moscow. Payments to the Soviet Union appreciably add to India's balance-of-payments problems even though Moscow does not demand hard currency, and New Delhi may be forced to purchase goods in third countries or divert exports from hard currency markets to meet its obligations to Moscow.

Although senior defense leaders appear confident of receiving adequate funds for their modernization programs, we believe Gandhi will be hard pressed to cope with the dual burden of commercial and military imports. New Delhi has only an even chance of avoiding a severe shortage of foreign exchange by the mid-1980s. Unless the weather is consistently good or more petroleum deposits are discovered, Gandhi may have to curb her liberalized import policy for industrial goods. If the higher estimate of military imports proves correct, she may even have to turn to the USSR, Arab, or Western donors for additional aid or debt relief. Moreover, according to the Indian press,

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New Delhi is seriously considering proposals by Moscow to develop further India's aircraft industry for exports to the Soviet Union and its clients, which could help finance further military purchases. [REDACTED]

Impact on the Armed Forces. In our view, the purchase and licensed production of modern weapons and high-technology equipment will permit the Indian armed forces—already the fourth-largest in the world—to remain by far the dominant South Asian military force throughout this decade. No other regional force is likely to make the improvements needed to challenge India's position. Even Pakistan's acquisition of new US weapons will leave that country's forces markedly inferior to those of India. In our judgment, however, India will be unable to project appreciable military force beyond the region during this time frame. [REDACTED]

Despite India's purchase of some of the most prestigious, high-technology items from Western arms suppliers, we judge that the character of the armed forces will continue to be more heavily influenced by the import of Soviet weaponry than by equipment from the West. Soviet-designed aircraft now comprise 65 percent of those in operational squadrons, and we estimate that the ratio will grow slightly over the next several years as additional Soviet aircraft purchased outright or produced under license come into use. India's ground-based missile defenses, which are equipped almost entirely with Soviet systems, are likely to be augmented, in our judgment, with new Soviet short-range, self-propelled tactical systems. Although much of the Army's equipment comes from Indian defense industries, about 45 percent of its tanks are of Soviet origin. This proportion could grow slightly during the 1980s as the several hundred T-72 tanks on order from the USSR are delivered and as India's indigenous tank production effort winds down in preparation for producing T-72s. The proportion of Soviet warships in the Indian Navy will continue to be approximately 75 percent because 15 of the 22 new capital ships we expect to come on line during the next five years will be from the USSR.¹ [REDACTED]

Looking Ahead

We expect that India will continue to supplement procurement of military equipment from the Soviet Union with selected purchases of high-technology weaponry from the West. Although we believe that many Indian leaders would like to improve military relations with the West at the expense of India's close ties with the USSR, Prime Minister Gandhi is likely to view continued good relations with Moscow as a central element in her modernization of the armed forces. [REDACTED]

In our view, New Delhi's perception of the Soviets as a reliable arms supplier provides strong incentives to continue close military ties. In addition, Moscow's willingness to sell arms to India at low prices and on easy credit terms will continue to make Soviet weapons attractive. India's familiarity with the large variety of Soviet weapons in its arsenal and the interaction required to operate, modify, and update this equipment create a strong professional basis for continued military cooperation. We believe that India will continue to press the USSR for the most advanced technology in future arms purchases. [REDACTED]

At the same time, however, we judge that New Delhi will remain circumspect in its military relationship with Moscow. India probably will continue to rebuff Soviet entreaties for special military privileges, refuse Soviet offers for joint training exercises, and restrict the presence of Soviet personnel to technicians essential to the construction of Indian defense facilities, licensed production, and equipment deliveries. [REDACTED]

Implications for the United States

India's diversification effort is likely to provide some new opportunities for selected US weapons purchases, but we believe that Gandhi is likely to proceed slowly in concluding new major arms contracts with the

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United States. Her suspicions of US intentions in the region and her strong opposition to the US military presence on Diego Garcia and in the Indian Ocean create barriers to close Indo-US cooperation. She is likely to continue to challenge US military commitments to Pakistan and to seek additional arms to offset them. [REDACTED]

To the extent India does seek US arms, it is likely to request progressively more sophisticated weapons and the right to produce them under license. Because of New Delhi's close military ties with Moscow and the involvement of several hundred Soviet technicians in India's defense industries, we believe that the sale of state-of-the-art weaponry to India could result in a technology compromise unless sufficient guarantees are made by the Indian Government to protect classified US military information [REDACTED]

Although India may be prepared to buy selected defense equipment from the United States, several factors suggest that India's diversification efforts with the West are more likely to involve contracts with West European arms suppliers, particularly the French and British. During previous Indo-US negotiations for weapon systems, the Indians have shown their dislike for US Foreign Military Sales restrictions, recalling US arms embargoes during the wars with Pakistan in 1965 and 1971. To conclude new arms sales with the United States, we believe they will argue strongly for agreements on a commercial basis and for guaranteed deliveries for the term of the contract, regardless of hostilities in which they might become embroiled. Furthermore, India generally requires that contracts for the purchase of new weapons contain a provision to produce them under license, an option more easily obtained from West European arms producers than from the United States. [REDACTED]

Neither the United States nor other Western suppliers are likely to achieve appreciable leverage over the direction of India's foreign policy or to exact significant political concessions through an increase in arms sales to New Delhi. Over the next several years, we believe that such sales will comprise a comparatively small, albeit important, part of the military modernization process. India's increasing financial indebtedness to the USSR for arms and technology transfers, however, will provide Moscow with new opportunities to exert pressure on New Delhi for special privileges. [REDACTED]

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